GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:212
ANSWERED ON:13.03.2008
HEAVY PRICES OF DRUGS
Panda Shri Prabodh;Rijiju Shri Kiren

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government is aware that the pharmaceutical companies are giving huge margins to the wholesalers and the chemists and the poor consumers are the sufferers as they have to pay heavy prices;

(b) if so, the details thereof;;

(c) whether the Government proposes to fix a limit on the profit margin for the wholesale and the retail pharmaceutical dealers respectively;

(d) if so, the facts in this regard and the time by which the said proposal is likely to be implemented; and

(e) the extent to which the cost of the medicines is likely to be decreased in percentage terms in the wake of the implementation of the said proposal?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO PARTS (a) to (e) OF THE LOK SABHA STARRED QUESTION NO. 212 FOR ANSWER ON 13-3-2008 ON THE SUBJECT OF HEAVY PRICES OF DRUGS.

(a) to (e): The 74 bulk drugs specified in the First Schedule of the Drugs (Prices Control) Order, 1995 (DPCO, 95) and the formulations based thereon are under price control and their prices are fixed / revised by the National Pharmaceutical Pricing Authority (NPPA) in accordance with the provisions of the DPCO, 95. Under Para 19 of the DPCO,95, 16% margin to retailer is allowed in respect of Scheduled formulations.

Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures where the public interest is found to be adversely affected.

It has been noticed by the National Pharmaceutical Pricing Authority (NPPA) that some companies provide high trade margins to the wholesalers and retailers in respect of branded- generics and generic-generic medicines of certain non-Scheduled formulations. However, this segment forms a small portion of total pharma market in the country.

It is proposed to streamline the system of trade margins through the Draft National Pharmaceutical Policy, 2006, which proposes to cap the trade margins. Based on the reduction in the trade margins, there is a likelihood of the prices coming down in the case of generic medicines.

This Policy was submitted before the Cabinet for its approval. The Cabinet considered the Policy in its meeting held on 11-1-2007. It was decided that the matter may, in the first instance, be considered by a Group of Ministers (GOM). GOM has since been constituted and has held three meetings so far on 10-4-2007, 12-9-2007 and 30-1-2008. GOM is yet to make its recommendations to the Cabinet.